

John Garamendi
Insurance Commissioner
Inaugural Speech
Delivered January 6, 2003, 9:30 a.m.
Assembly Chambers, California Capitol

There are few honors and no greater responsibility than to be chosen by the citizens of this state to work for them. I am humbled by the honor and I am fired with enthusiasm at the prospect of once again being Insurance Commissioner. I will do everything in my power to fulfill the expectations of all Californians and to rebuild the California Department of Insurance into the best consumer protection agency in this nation.

I am so very fortunate to have a terrific starting point. Commissioner Low, your tenure in the office has been extraordinary. The debilitating Quackenbush scandal not only left thousands of earthquake victims without help, it robbed the California Department of Insurance of its integrity, its honor and much of its ability to regulate this most important part of our social economic system. Thankfully you have restored these attributes and for that you will always be recognized as one of California's great Commissioners. Thank you for the work you have accomplished and for the honor you bestowed upon me today by conducting my swearing in.

While I would love to thank hundreds of you individually from this podium, I have only the time to name a few - the members of my patient, energetic and loving family: My mother, who so steadily held the bible today and has just as steadily guided her seven children, 21 grandchildren, and 7 great-grandchildren. Our own children Ashley, Elizabeth, Autumn, her husband Kevin, Christina and her husband Eugene, John and his wife Colleen, and Genet and her husband Martin. And of course, my wonderful wife Patti, who for 37 years has been my first and last thought of each and every day. She is my inspiration, my guide, and my love. To my campaign staff, led by Pam Neifert, and to each of you who made this day possible, thank you for always helping, always participating, and for always having faith that our efforts are worth the sacrifices required.

My goal is to create the best consumer protection agency in the nation. Protecting the consumer is the first priority. In 1991, when I became Commissioner for the first time, the state and this office faced the challenge of implementing Proposition 103. Today, the challenges that face the Department of Insurance, California's consumers, and the insurance industry are complex and difficult, but not insurmountable.

Americans are nervous and uneasy - we are looking for security. We are worried about our personal security in the wake of 9/11 and the continuing war on terrorism. Concerns about our financial security are keeping us awake. We are on edge as we observe the dramatic decline in the value of our retirement accounts and read about bankruptcies and layoffs at companies that just one year ago were the cornerstones of our economic system.

Insurance has always been our defense against financial or personal disaster. And now, more than ever, in this time of great uncertainty, we will expect insurance to step up, to protect consumers and to once again be that strong line of defense. Our work will help provide the answers to the questions consumers are asking more and more. "If something happens to me, will my family be okay financially?" "Can I afford the coverage I need to provide security for my family?" "Will I have health insurance if my company down-sizes?" "Is my child going to get proper medical care with this policy?" "If I file a claim for damage to my home, will I be cancelled?" "How can my company survive with these workers' compensation rates?"

Our economy and our personal security depend upon a healthy, vibrant, and competitive insurance market that delivers reasonably priced insurance to consumers. For the good of the consumer, the insurance industry and the economy, we must build bridges of understanding, build confidence in the system, and work together to find solutions.

For all those companies who want to be in the California market and provide quality service and quality insurance products while settling their customer's claims quickly and fairly ---Welcome! For those companies and those consumers who cheat and defraud— I've got a message for you, "I am back, I am experienced, and you will be prosecuted."

Insurance companies will find the California Department of Insurance to be efficient, prompt, consistent, and unfailing in implementing the laws and regulations. I will work to solve problems -- not create them. I will work closely with the Legislature and the Governor. These are important parts of creating the nation's best consumer protection agency.

We are facing an insurance system that is overwhelmed with problems. Nearly every sector is in trouble. Medical malpractice, nursing home, liability, terrorism, officers and directors, construction defects, low cost auto, and red lining of inner cities start a long, yet incomplete list of emerging insurance crises. At the top of this list are four critical insurance issues that must be addressed now: workers' compensation, health insurance, homeowners, and privacy.

Workers' compensation is a disaster for business and workers. Even with the new benefit increase, workers in California will have benefits in the lower third of all states, and gross premiums paid by large and small business will increase from about \$10 billion one year ago to over \$20 billion in 2003. That's no different than a \$10 billion tax on California business. This market has nearly imploded. When I left office in January 1995, workers' compensation rates were reasonable and the companies were healthy with loss ratios at 61%. Today the ratios are near 100%, many companies have failed financially, and others have stopped writing policies in California. For these reasons I am establishing two task forces to assist me in seeking immediate actions that I can take to ease the burden and assist in defining a restructuring of this inefficient system that has among the highest costs in the nation and the lowest benefits.

Some say we cannot afford health insurance for all. I say that we can't afford not to have it. While American medicine and research is leading the world, nearly 20% of our people do not have insurance and, therefore, experience the most severe of medical rationing. For those of us

who do have insurance, we also experience rationing at our HMOs. Premium and medical drug costs continue to escalate and coverage continues to be reduced. In America we pay over 15% of our Gross Domestic Product (GDP) for health care, while West European Countries pay less than 10% of their GDP for universal coverage - and their citizens live longer and have fewer health problems.

Why is it that in modern America we are required to have four, five or six health care policies---one, our basic health insurance, another for on- the-job, yet another when we are in a car, another for that car that might hit us, another when we're at a restaurant, another for veterans, another for those over 65. This crazy quilt system of old, worn patches of coverage requires a legion of clerks backed up by a plethora of lawyers, each trying to place the cost on some other insurance company. The current system is an expensive and inefficient hodgepodge of insurance coverage.

It's time for California to lead in creating a single health insurance system that covers all of us 24 hours a day regardless of what we happen to be doing at any moment, and provides all of us with the high quality care we need.

A growing uproar can be heard from suburbia and main street California, as homeowner policies are cancelled, as State Farm, the largest insurance company, refuses to write new policies on homes, as premiums escalate, and unexplainable systems such as credit scoring and CLUE are used to determine if a consumer will get a policy and at what price. CLUE is no parlor game - it's a database. "Use it and lose it" is no joke. It's real and it's wrong. We will aggressively investigate this dysfunctional market and I will use my full power to address every legitimate concern. The housing industry, every homeowner, potential homeowner, and the California economy need our help and they will get it.

Whatever happened to privacy? The phrase, "It's none of your business," seems to have been lost from the American lexicon. Everything about all of us seems to be business's business. As a public official for 27 years, I long ago gave up any illusion of privacy, but that was my choice. For you, current business practice has stripped you of your choice to have your most personal facts kept private. I will use every law and regulation to keep policy owner's private information private and used only for the purpose for which they voluntarily give it.

The creation of the best consumer protection agency requires that our department reach out to the people of California providing them with information and access to the tools that protect them. Among these tools is knowledge about insurance and insurance companies. We will use every communication technique from the oldest, town hall meetings, to the newest, communication technology, to provide information. The department will be accessible to all; we will hear your problems and do our best to resolve them.

A green button handed out at Senator Paul Wellstone's memorial read, "Stand up. Keep fighting." None of us have the luxury of self-pity or recrimination of past slights and mistakes. Yesterday is gone and while there are lessons to be remembered, it is our task to face and master the uncertainties of the days ahead. Whatever our convictions, whatever our passions, we must bring them to the public common ground—that space in our society where we work to define

how we are going to live together as a state, nation and international community. There, in the arena of the common ground, we will resolve our disputes and set our course.

God bless this Golden State and its people.